

## Budget Proposals Impacting Cities

The governor has proposed a number of cuts to city revenues for the state budget year that begins in July 2003, that could have a significant effect on the quality of life in Morgan Hill. These include:

**Reduction in Vehicle License Fee Backfill<sup>1</sup>.** Eliminating the vehicle license fee (VLF) “backfill” to cities and counties – a loss to California communities of almost \$3 billion (\$1.2 billion for cities alone). On a statewide basis, the \$1.2 billion would fund 12,000 police officers, or 15,000 firefighters. In Morgan Hill we would lose \$1.4 million in VLF “backfill”. This represents about 9 percent of Morgan Hill’s general revenues. 68% of our general revenues are used to fund police, fire and other public safety responsibilities. Cuts of these magnitudes would almost certainly mean:

- Fewer police officers on the street
- Longer response times
- Longer wait for 911 calls
- Reduced traffic enforcement

**Redevelopment Agency Shift.** California redevelopment agencies would lose \$250 million in property tax increment revenues. The funds would be shifted to help the state meet its obligation to fund schools. The shift would continue and increase in subsequent fiscal years to the reach the full amount of the school district share of property taxes over time. The statewide impact: **\$250 million in 2003-04; over \$1 billion potential future annual impact.**

Redevelopment agencies are often the “engine” for local jobs and construction that enhances the quality of life in our city. They help restore run-down areas, and build affordable housing. In Morgan Hill redevelopment projects include: the Community and Cultural Center, the new Aquatics Facility, street paving, and many other projects.

**Elimination of Booking Fees Reimbursements.** Cuts **\$38 million** statewide to reimburse cities for the fees counties charge when our police take suspects to the county jail. Morgan Hill will lose \$27,502.

**Local Street and Road Maintenance:** While proposed current year cuts to cities of \$5 million for these transportation projects were rejected by the legislature, these cuts could be considered to balance the budget that would start on July 1, 2003. Local repair projects would be further delayed if a proposal is adopted to suspend a \$1.05 billion transfer of the sales tax on gas to transportation projects, along with cancellation of a scheduled \$500 million general fund loan repayment for transportation projects.

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<sup>1</sup> The “backfill” is the money that the state promised to pay cities and counties in 1998, when the legislature decided to lower the vehicle license fees paid by consumers. The promise was made because the funds generated by the vehicle license fees are not state funds, but local funds -- dedicated by the voters in 1986 to local government through a constitutional amendment.